Statement-II

Closing Stock Position of Spun Yarn for the Last Three Years

(Qty. in Million kg.)

Year	Sector	Cotton	Other than Cotton (Blended & 100% non-cotton)	Total
2001-02	Spinning mills	83	28	111
	Composite mills	10	5	15
	Total	93	33	126.
2002-03	Spinning mills	63	42	105
	Composite mills	8	5	13
	Total	71	47	118
2003-04 (P)	Spinning mills	70	30	100
	Composite mills	8	4	12
	Total	78	34	112

Source DGCIS-Kolkata

Report of Committee on investment and growth in textile industry

390. SHRIMATI N.P. DURGA: Will the Minister of TEXTILES be pleased to state:

(a) whether the Steering Committee/Group on investment and growth in textile industry has presented its third report to Government;

(b) if so, whether it is also a fact that the group recommended for recasting debt of the textile units in the country;

(c) whether the group also strongly recommended for constitution of a Debt Restructuring Fund; and

(d) if so, the details thereof?

THE MINISTER OF TEXTILES (SHRI SHANKERSINH VAGHELA): (a) Yes, Sir. Supplementary Report (3rd Report) was submitted on 11.8.2003 to the then Finance Minister.

(b) to (d) The main recommendation of the Steering Group was to constitute a Debt Restructuring Fund with the initial corpus of Rs. 500 crores and grant incentives to Financial Institutions/Banks to restructure

existing portfolios and bring down the ultimate rate of interest to the borrowers to around 8%. The text of the recommendations of the Steering Group is given in enclosed Statement.

Statement

The extracts from the supplementary report of the steering group on growth and investment in textiles

6. **Debt Restructuring Scheme**

6.1 The international interest rates are very low at present. Whereas the cotton textile industry is faced with high cost of capital duty loans availed prior to introduction of Technology Upgradation Fund Scheme, which carried the then prevailing high rates of interest. In order to enable Indian textile industry to compete in the global market, Government of India should set up a reconstruction fund with the objective of reducing cost of capital of existing textile units in the organised sector. It is estimated that the total exposure of the FIs to the textile sector in the form of term loan is in the region of Rs. 16000 crores, of this amount 1/3 is unlikely to be revived and may not be eligible for assistance. Thus, the total debt exposure that needs to be addressed is estimated to be about Rs. 10,000 crores.The efforts under the restructured scheme will be to bring down the ultimate rate of interest to borrowers to around 8%. The aim of the reconstruction will be to restructure industry's existing high cost loans tied up in the past.

6.2 It is recommended that:

- All existing secured loans, excess drawing of working capital (which would be converted into working capital term loan) would be eligible to be covered under the fund.
- As part of restructuring exercise, FIs/banks would reduce rate of interest on their existing secured loans to a threshold level of 12% per annum. If the existing rates are lower, they would be maintained at that level.
- The rate of interest on working capital would be brought down to PLR.
- The FIs/banks shall waive all penal interest, liquidated damages etc.
- Over due interest would be funded and converted into "zero

coupon debentures" to be repaid after liquidating the restructured loans along with interest.

- An incentive of maximum 4% would be extended on the rate of interest leading to the final interest cost to the textile units on term borrowings at 8% per annum.
- The textile units would pay interest at the rate of 8%. Interest incidence upto 4% would be compensated to FIs/banks out of the proposed fund.
- The loans covered under TUFS and External Commercial Borrowings would not be eligible under the scheme.
- The restructured loans alongwith 8% interest would be repaid in a maximum period of 10 years including 2 years moratorium. After 10 years period no interest incentive would be extended to any unit.

6.3 The liabilities eligible for restructuring would include secured liabilities and excess working capital on the cut off date.

6.4 The scheme would remain open for two year from the date of announcement. Loan given during these two year period shall not be eligible under the scheme. Any fresh loan for modernisation and expansion would be eligible for interest relief under TUFS.

6.5 The initial size of the reconstruction fund will be Rs. 500 crores. Additional requirement of fund could be assessed on the pace and success of the scheme.

Higher power consumption for weaving of textiles

†391. SHRI RAM JETHMALANI: Will the Minister of TEXTILES be pleased to state:

(a) whether it is a fact that 27 per cent cost of production for weaving of textiles in the country is that of power consumption;

(b) if not, the facts in this regard;

(c) whether it is also a fact that in other countries of the world *viz.* Brazil, Indonesia and Korea, it is upto 14 per cent, 12 per cent and 15 per cent, respectively;

(d) if not, the facts in this regard; and

† Original notice of the question was received in Hindi.